BOROSIL®

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June 04, 2024

BSE Limited	**National Stock Exchange of India Limited**
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 **Scrip Code: 543212**	Exchange Plaza, C-1, Block - G, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 **Symbol: BOROLTD**

Dear Sirs,

Sub: Transcript of Institutional Investors and Analysts Conference Call

Please find attached transcript of conference call with Institutional Investors and Analysts held on Tuesday, May 28, 2024.

The aforesaid transcript is also available on the Company's website at www.borosil.com.

You are requested to take the same on records.

Yours faithfully,

For Borosil Limited

ANSHU ARVIND AGARWAL
Digitally signed by ANSHU ARVIND AGARWAL
Date: 2024.06.04 21:41:45 +05'30'

Anshu Agarwal
Company Secretary & Compliance Officer
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Encl: as above

"Borosil Limited
Q4 FY '24 & FY '24 Results Conference Call"
May 28, 2024

MANAGEMENT: **MR. SHREEVAR KHERUKA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – BOROSIL LIMITED**
MR. ANAND SULTANIA – CHIEF FINANCIAL OFFICER – BOROSIL LIMITED
MR. BALESH TALAPADY – VICE PRESIDENT-INVESTOR RELATIONS AND BUSINESS ANALYSIS – BOROSIL LIMITED

MODERATOR: **MR. ANIRUDDHA JOSHI – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Borosil Limited Q4 FY '24 Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities. Thank you and over to you, Mr. Joshi.

Aniruddha Joshi: Yes, thanks, Renju. On behalf of ICICI Securities, we all welcome you to Q4 FY '24 and FY '24 results conference call of Borosil Limited. We have with us today senior management represented by Mr. Shreevar Kheruka, Managing Director and CEO, Mr. Anand Sultania, CFO and Mr. Balesh Talapady, Vice President, Investor Relations and Business Analysis.

Now I hand over to the call to the management for the initial comments on the quarterly as well as annual performance and then we will open the floor for question and answer session. Thanks and over to you, sir.

Shreevar Kheruka: So, thank you, Aniruddha and ICICI Securities for arranging this call. Good afternoon to every one of you. We are delighted to be communicating with you once again. Borosil Limited has approved the company's financial results for Q4 FY '24 and full year FY '24 on 24th May 2024. Our results and an updated presentation have been sent to the stock exchanges and have also been uploaded on the company's website. We had earlier announced a plan to restructure the company's consumer and scientific business into two distinct publicly listed entities through a composite arrangement scheme.

The appointed date for the scheme was 1st April 2022 and the scheme has been made effective from 2nd December 2023. And pursuant to the scheme, the scientific and industrial products business of the company stands demerged into Borosil Scientific Limited. At this point of time, we still await regulatory approvals for Borosil Scientific Limited for listing on the stock exchanges, which is expected to be completed by mid of June 2024.

In today's call, we shall focus and discuss about Borosil Limited, which houses our consumer products business. We are very pleased that Borosil Limited had a fantastic year 2023-2024. Our consolidated revenues from operations for FY '24 was INR 942.3 crores, as against INR741.6 crores last year, which is an industry-leading growth of 27% over the same period last year.

I would like to acknowledge and thank the entire Borosil team, along with our stakeholders, including customers, suppliers and shareholders, for contributing towards this growth. Your dedication, not just over the past year but in the years prior too, has built a strong foundation and enabled the execution of a robust strategy that has brought us to where we are today. I am very proud of the team's achievements and I am also excited for the future.

During the year, the company achieved a consolidated EBITDA (i.e. before exceptional, one-time items and investment income) of INR 144.9 crores, as against INR 81.6 crores last year. The EBITDA margin was 15.4% in FY '24, as against 11% in the previous year. Here, I would also like to mention that the other income includes INR 5.5 crores of shared service support income, the underlying expenses of which are reported under total expenses.

That is shared service for other companies, the cost of which is borne by Borosil Limited and is recovered by way of other income. Profit before tax during FY '24 was INR 87.8 crores, as against INR 66 crores in FY '23. Last year, we had an insurance claim resulting in an exceptional gain of INR 9.33 crores and one-time net gain of INR 3.85 crores. The investment income is higher by about INR 4.32 crores during FY '24 as compared to last year, whereas depreciation and finance costs are much higher this year by about INR 32.6 crores, primarily due to the new Opal Furnace Commissioning during Q4 of FY '23.

During FY '24, Borosil recorded a consolidated profit after tax of INR 65.9 crores, as compared to INR 51.9 crores in the previous year.

Coming to our business-wide performance, Borosil's consumer business comprising glassware products and non-glassware products under the brand Borosil and its Opalware range under the brand Larah are the two main separate brands that we have.

Larah Opalware is a dining and tableware range known for its contemporary designs and impeccable finish achieved outstanding sales of INR357.7 crores in FY '24 as against an INR 260.6 crores in FY23 marking a significant increase of 37.3% from the previous year.

Our glassware products comprising of microwaveable, servingware, glass tumblers and Borosilicate lunch boxes as well as glass storage experienced a growth of 11.3% reaching INR 198 crores in revenue as against INR 177.9 crores in FY23.

Our non glassware products comprising of small home appliances, insulated bottles and flask, cookware this also experienced a growth of 27.5% generating a turnover of INR 386.5 crores as against INR303.1 crores in FY23. The strong performance across all our categories underscores the successful execution of our strategy to broaden the Borosil brand's offering to cater to diverse kitchen and serving needs in Indian households. It also reflects the enduring equity and appeal of the Borosil brand across different product ranges.

Over the past few years, Borosil's consumer business has successfully diversified beyond its primary focus on microwaveable glass products and has established three robust pillars that ensure sustainable future growth. The glassware, Opalware and non-glassware verticals have all reached significant sizes and are poised for further expansion as their penetration and usage frequency increase.

In FY24 Borosil has launched thousands of new SKUs across these three ranges amongst which include Borosil's new Artisan series, Borosilicate jars and containers, coffee mate, air fryers and gas stoves which have been well-accepted by customers. Furthermore, new designs in Opalware lunchboxes and storage sets, kulhad mugs have gained high traction amongst users.

Borosil continuously seeks to increase its digital presence and engagement and also engage in brand associations. We have entered into a brand endorsement arrangement with celebrity chef Harpal Singh Sokhi. For the Hydra range of glass and bottles, Borosil has been the hydration partner to the Indian Olympic Association for the Paris Olympics coming up shortly. To enhance brand awareness and strengthen brand recall Borosil utilizes a diverse array of promotional and marketing efforts including in-shop displays, merchandising, advertisements in print as well as social media, retail branding and product branding.

The organization has developed a strong brand identity through effective brand advertisements and marketing campaigns including the Borosil OTG campaign as well as the Larah festive campaign. Borosil has a well-established subscriber base which is continuously growing on all social media platforms. We also run automated campaigns on Google Ads services and awareness campaigns across Facebook and Youtube on a periodic basis. The brand is further actively promoted through various influencers across food and lifestyle sections..

Coming to the balance sheet average operating capital employed in the business that is capital employed without CWIP and investments was INR 601.2 crores. During FY24, the company earned an operating profit (again before exceptional and one-time items and before income from investments)of INR 90.9 crores translating into an annualized operational ROCE of 15.1%. The ROCE is expected to increase going forward with improved margins as we enhance our manufacturing base as well as higher capacity utilization from our new manufacturing capacities.

As of 31st March, 2024, the company has a net debt of INR 159.4 crores. Investments as on date are INR 92.3 crores.

Our primary goal at the moment is to expand our brand franchise. We are focusing on upgrading and converting consumers from plastic and melamine to glass storage and opalware, while also increasing the adoption of microwaveable products. To broaden our collection, we continue to introduce new items including portable high-grade steel products as well as home appliances.

Our aim is to establish Borosil and Larah as the go-to brands in the contemporary Indian kitchen for everyday storage, preparation, cooking, heating, and serving needs. As previously communicated new borosilicate pressware already in Jaipur with a capacity of 25 tons per day was commissioned on January 31st 2024. Further, we are pleased to announce and commercial production of this facility began on March 28th, 2024. This initiative will reduce our dependence on imports, enhance our product offering and meet domestic as well as international demand for borosilicate glass pressware and provide a competitive edge through lower production costs.

14. Borosil Limited is committed to adhering to sustainability principles, emphasizing on responsible business practices. In this regard, we have developed an ESG roadmap, setting significant targets for the company in Environmental, Social, and Governance sections. The progress is regularly monitored and reported to key stakeholders through periodic reviews. We have created/ modified various policies such as ESG policy, Sustainable Supply Chain policy, and Equal Opportunity policy, etc. to name a few. We have also formulated and deployed Supplier Code of Conduct for sustainable supply chain practices. We have communicated our ESG targets and related initiatives in our annual and BRSR reports. This year, we have taken a step ahead and have proposed to adopt an integrated reporting framework to showcase our ESG effortsWe remain highly optimistic about the medium-term prospects for our consumer

business. While we may encounter periods of slow growth and cautious consumer behavior which is mostly cyclical in nature, we anticipate robust growth in our sector due to favorable long-term trends.

Our primary focus will be on expanding our consumer base, launching innovative new products and optimizing our supply chain and marketing channels. Additionally, we will continue to invest in enhancing our brand's visibility. Thank you for your attention. With that, I would like to throw the floor open to questions.

Moderator: Should we open the floor for questions?

Shreevar Kheruka: Yes, please.

Moderator: Thank you. We will now begin the question and answer session. The first question comes from the line of Pranay Roop Chatterjee with BCMPL. Please go ahead.

Pranay Roop Chatterjee: My first question is with respect to the FY '25E growth outlook for both consumer glass and Opal ware. On consumer glass growth has been around 11% this year. Do you expect the next year to be on similar fashion or as the utilization increases the growth will be much stronger? And secondly, Opal ware it seems that the volumes are more or less at peak utilization. So how much growth can be expected for the next year?

Shreevar Kheruka: Yes, so as far as the glassware business is concerned now that we have our new manufacturing facility, I do expect growth to be substantially higher than the 11% we had last year. The reason being as I mentioned, that we are able in the past also, we can add lots of new products and we have also some pricing advantages with our own manufacturing. Our goal is to make it an everyday use item glass to be an everyday use item.

And for that, in some products we would like to offer pricing which is more competitive. And I can tell you that overall glassware will definitely be -- should drive growth this year. Coming to opal ware, we are at about 80% capacity utilization. And I think we have a good shot at going closer to the 100% level. So we do have room to grow. But rather than commenting year-to-year, I would say that broadly, I have always been mentioning a 15%-20% kind of CAGR growth. And I think we have been slightly ahead of that. But I would expect that there should not be any change in the medium-term growth forecast.

Pranay Roop Chatterjee: Got it, sir. That is helpful. Next, on your cost base, if I compare Q3 2024 to Q4 2024 employee expenses and other expenses have gone up by around INR 12 crores. And depreciation is up by around INR 3 crores. So if you could help us understand what has led to this if there is any bonus payment that has been recorded. And if any of the new furnace borosilicate pressware furnace costs have already been booked in Q4.

Shreevar Kheruka: Yes, I think you already answered the question yourself. Because of our – and in fact, I alluded to it in my opening remarks. Now, Borosil group has three – almost the third company will be listed soon. But basically, we are operating as if we have three listed entities. And Borosil limited – all the support functions are at Borosil limited. And Borosil limited recovers the costs of these functions, which are given to Borosil scientific as well as Borosil renewables.

And that comes with other income. So whatever we recover comes from the other income, whereas the expenses in the employee costs are the relevant head. So therefore, the costs do look a bit inflated because this has started in the last quarter actually, this whole shared services function. So it's showing a little bit higher but you have to offset some other income against these expenses, which will give you a fair picture. Secondly yes, definitely, we do have bonuses that we have given because we had a good year. So, there's some amount of one-time aspect to that which has come in.

And as you rightly mentioned the depreciation also has gone up. So Q4 numbers have been a little bit more muted. But those are as I mentioned, you have to take some amount of other income. And whatever overall margin we maintain, I think that's sustainable and will also grow in the coming years.

Pranay Roop Chatterjee: Got it, sir. If you could just specifically comment on the new furnace because that's going to change the complexion of the P&L at least in the next couple of quarters. So have you already booked any costs? And I'm talking employee, other expenses and depreciation.

Shreevar Kheruka: Yes, employee costs have. So, look, there are quite a few employees which are hired many months ago and they have already been baked into the system. But I think more employee costs are a small fraction. The challenge with any production line is always let's say, the ramp up to full efficiency. So, we are not there yet and it will take maybe two or three quarters for us to achieve the full efficiency. So more than employee costs, I think the power and fuel, while we are expending it the efficiency being lower there will be slightly higher inflated power and fuel costs.

Employee costs like I said, would not be materially different going forward. Of course, everybody gets increments so there will be some increment associated with it. But the other expenses, let's say the fixed overhead expenses will be spread over a smaller base just until we achieve the full efficiency. So that will impact at least in that section of the business for two, three quarters, I would say. It's hard for me to elaborate on the quantum because I don't know it myself but there will be some impact.

Pranay Roop Chatterjee: So my last question is, if I talk in terms of full year margins for your consumer division, if I see in FY '24, your full year EBITDA margin was around 14% pre-other income. Obviously, some amount of other income needs to be taken so probably a few bps more. This 14% margin, when I think about it from a next-year perspective, where H1 is going to be impacted and probably as utilization increases the margins will improve. Should we expect a margin head, decline, improvement if you can give some directional sense for the next year as a whole? This is your projection.

Shreevar Kheruka: Actually, this year EBITDA margin was 15.4%. If you net off the other income, I think the relevant points of other income versus the extra cost, so actually our EBITDA margin for our operations was 15.4% in this year and that's FY ‘24. It's hard for me to give you specific numbers for FY ‘25. All I can say is that the Borosilicate furnace that we've added short-term may have some impact but I would say it would dramatically help improve EBITDA in, say, the coming year.

Now, when it starts, when we are able to reach the full efficiency, like I said, make it 2 or 3 quarters but once we hit full efficiency and our sales, we have seen good traction there. If we're able to sell the tonnages that are coming from here, I think our EBITDA margin will substantially improve. In the short-run, in the first 2, 3 quarters, what is the impact, whether net will it reduce EBITDA margin or will we be able to sustain this?

It's very hard for me to be specific about it and I frankly don't even know. It depends on too many other factors but we are investing in the business from a long-term perspective and therefore 1 or 2 quarters, when we know the root cause of the challenge, I don't think is that, frankly speaking, that important. So I'm afraid I'm only going to share with you exact numbers because I don't know.

Pranay Roop Chatterjee: Sir, when you say full efficiency, what utilization would that mean, like you said, in 2-3 quarters time?

Shreevar Kheruka: 75%-80% would be, we may be at about 50, 55 now, we'll go to 75%, 80%. We'll achieve it, surely.

Pranay Roop Chatterjee: Got it, sir. Thanks a lot.

Moderator: Thank you. Next question comes from the line of Vipul Kumar Anupchand Shah with Sumangal Investments. Please go ahead.

Vipul Kumar: Hi, sir. Thanks for the opportunity. So what is the reason for sharp drop in all categories when we compare the sales for all 3 categories to the December quarter, sir?

Management: Well, actually, our business is quite a cyclical business in the sense that Q3 was Diwali quarter. So actually in 1 month, you have more or less 2 months of sales. Diwali will be later this year as well. So I would say that is the main reason. But it would be right to compare Q4 versus Q4 last year.

Vipul Kumar: It's the right way to compare?

Management: Yes. And there we have shown a significant growth. So I would encourage you to look at Q4 versus Q4 owing to the cyclical nature of the business.

Vipul Kumar: And so what will be the ramp-up schedule of this new furnace? And at full capacity utilization, we'll be able to manufacture 100% of glass products from that furnace or still some imports will be there?

Management: So actually, this furnace has 3 times the capacity of our current phase. So it's actually 300%. So we need to grow our business by almost, say, 2.5 or 3 times, depending on the price benefits we may give our customers.

But in principle, that's the capacity is more than enough to manufacture, to compensate for everything that we are buying as far as pressware is concerned. There are some products, glassware products, which are like a grown product, which are very small in volume, which we will continue to import. That's because this production is not set up for that.

And as far as ramp-up is concerned, like I said before, 6-9 months, I think we should achieve the full efficiency that we expect to achieve.

Vipul Kumar: But to achieve 3 times the current sales, we need to capture market. We'll be taking some price action due to lower cost?

Management: Yes, that's right. As I mentioned earlier, we would definitely give in some categories of products where we believe we want to replace plastic or steel, we may have to give some benefits, pricing benefits to the customer. So we would do that from a strategic perspective in some categories in order to grow volume. And our goal is definitely that glass or rather our belief is that glass is a healthier alternative to heat out of. And therefore we should, we want to encourage our customers to switch from plastic and steel to glass.

Vipul Kumar: So is it safe to assume that till the full ramp-up happens, we may have some dip in EBITDA margin in the intermediate period?

Management: I would not like to comment on that because I don't know. Obviously our endeavor would not to have any dip in the margins but there are too many variables here to quantify because this is a small part of the overall business. So whether the dip will be meaningful or whether we can avoid it or whether we can increase our margin, this is something I don't know the answer to this question.

It depends on many factors. And I would say that once the operational stability, which I'm sure will happen like I said, in 2, 3 quarters, then the margins will only grow. So what happens for 3, 6 months in the middle, it's not really that relevant. Obviously our endeavor will be to only grow margins, not have any dip.

Vipul Kumar: And sir my last question, so at optimum capacity utilization, this furnace can generate annual sales of how much? 3 times our annual current sales?

Management: For press products. So we, what we show in the presentation is glassware sales. Pressware products is a subsection of it, maybe about 50% of it. So yes, 3 times of our press products.

Vipul Kumar: Now, would you repeat? I didn't get it, sir.

Management: Of our total glassware sales, press, the press is a way of making glass. You can press it, you can blow it, you can make it from tubes. So this furnace is a pressware production. So, about half of our glassware sales is coming from press, the press technology, let's say. And we can triple that.

Vipul Kumar: Okay. 3 times, means 1.5 times of the current sales, right?

Management: So we'll also increase sale of other products where we already have extra capacity. So but yes, you're right. In principle, you're right.

Vipul Kumar: Okay, sir. Thank you and all the best for the future.

Moderator: Thank you. Thank you. Next question comes from the line of Aditi Bhattar with Nivesha. Please go ahead.

Aditi Bhattar: Hello. Hi. A very good afternoon to you, sir. Am I audible?

Moderator: Yes.

Aditi Bhattar: Yes. Sir, so for my questions in-line with the pressware facility, the new facility, so what would be the current operational efficiency with this?

Shreevar Kheruka: At the moment, I think it's about 60%.

Aditi Bhattar: Okay. And I mean, we could obtain an optimum level in 6 to 7 months, as you mentioned?

Shreevar Kheruka: Yes, that's the goal.

Aditi Bhattar: Okay. And so I believe that we are still importing a certain percentage of products in this division and what would be that percentage?

Shreevar Kheruka: We will not import. We import products in other I mean, we have products which we don't manufacture. For example, steel we don't manufacture, which we import. And like I said there are some blown products in glass which we don't manufacture, which we'll continue to import. Overall imports percentage will drop this year. I think our overall imports will be less than 30%.

Aditi Bhattar: Okay. Right. Sorry?

Shreevar Kheruka: Maybe even 20%.

Aditi Bhattar: Okay. Right. And so for this year all our capex that we have planned they are operational now be it pressware, be it opalware, everything is operational right now. And I believe we are targeting to achieve a good optimum cap capacity utilization with these and increasing the margins for that. So what do you identify as your major sales driver for this year? I mean, in terms of revenue guidance, what do you identify as the major sales flow driver?

Shreevar Kheruka: In terms of product category?

Aditi Bhattar: In terms of product category.

Shreevar Kheruka: Yes, so glass will definitely be one of the major drivers in terms of growth, revenue growth. And of course, Opal also, we have capacity left. So that will also we should be able to grow that business as well. So the glassware and Opal ware, I would say would be the two main drivers of revenue growth this year.

Aditi Bhattar: Okay. And for Opal ware, are we planning any further capacity addition? Because I believe that we are already running at around 60% to 70% capacity utilization which we will fulfil by quarter three also going ahead. Are you planning anything further?

Shreevar Kheruka: At this very moment, we are not planning anything because we are looking at premiumization of Opal ware as well as utilizing the 100% capacity. So at this very moment, no.

Aditi Bhattar: Okay. And so lastly, one of our capex which was put on hold for backward integration. I mean, do we have any guidance for that?

Shreevar Kheruka: At the moment, so that will now come under scientific division. That will not come here. So that's mainly for scientific. But that's on hold only. I don't think we are at the moment looking to get into that.

Aditi Bhattar: Okay. But that was helpful for the raw material side of consumer division as well, right?

Shreevar Kheruka: That's right. But at the moment, we are able to source this at very low prices. So that would not -- at this current moment we would like to operationally let's say, stabilize our current production what we have just done. And maybe we can relook at that in the coming year.

Aditi Bhattar: Okay. Got it. Thank you, sir.

Moderator: Thank you. Next question comes from the line of Pratik Banthia with Girik Capital. Please go ahead.

Pratik Banthia: Yes. Hello. I would just like to know how much are you going to spend on advertising in the forthcoming years as a percentage of sales?

Shreevar Kheruka: It's going to be in the 7.5%. 7% to 8%.

Pratik Banthia: And in FY '24, what was that number?

Shreevar Kheruka: Also, same. Similar.

Pratik Banthia: Okay. That's it from me, sir. Thank you.

Moderator: Thank you. Next question comes from the line of Prateek with Shubh Lab Research. Please go ahead.

Prateek: Shreevar, congratulations for a good set of numbers. I just have one question. So, with the company's structure now very segregated is it fair to assume that a real mixture of bandwidth, managerial bandwidth is free now and there will be a sharper and a dedicated focus on all three vertical, if you can help us understand from a managerial perspective?

Shreevar Kheruka: I'm sorry. You were a little bit muffled but what I understood is you're asking about managerial bandwidth across the business. Is that right?

Prateek: So, I'll quickly repeat my question. Sorry. Is it fair now? Is it good now?

Shreevar Kheruka: Yes, better.

Prateek: Yes. So, I just want to understand with a very well segregated company structure in three divisions now well listed, the mixture of bandwidth, which was earlier there is it optimally free now but for a sharper and dedicated focus?

Shreevar Kheruka: So, frankly the bandwidth has not changed in one way or the other because the businesses were already always operated as individual units only. Now, only the legal structure has evolved to reflect the reality what was already present. So, in that sense I would -- of course, during this process for example, now we have a CEO of our scientific business.

So, to that extent that gentleman will take more responsibility in terms of the 360 degree overview of that business. But that's a natural progression and it doesn't really have much to do with the particular restructuring per se. So, I don't necessarily know if the bandwidth has any changes because like I said we were always operating and I believe that we have been focusing on each of the businesses to the best of our ability independently anyway. So, I don't see much change there, frankly.

Prateek: So, going ahead, it should be more about the capacity utilization in our consumer business, which should be driving the group and margins accordingly?

Shreevar Kheruka: Yes, absolutely. And I believe we have reasonably strong teams across all our organizations, all our three say, companies and they are well suited with or without this restructuring to drive growth and I think there's a track record also now of that.

Prateek: Understood. Very helpful. Thank you and all the best. Thanks.

Moderator: Thank you. Our next question comes from the line of Lakshminarayanan with Tunga Investments. Please go ahead.

Lakshminarayanan: Yes, thank you so much. A couple of questions. So, one is that in the non-glassware category; selling towels and also some of the other things like microwave ovens. So, how do you follow up your differentiation there? Because these are very entrenched product lines and where to look at it, your right to win is very high in terms of opal ware and the glassware. In non-glassware, how do you follow up for that and is there a differentiation strategy there?

Shreevar Kheruka: Yes. It's a good question and I think we debated this a lot before we actually entered the business and I believe there's two or three points that we have tried to focus on and the number one is in terms of we have stuck to a premium quality position. So, as I would call it mass premium we have identified let's say, all the materials that we use whether it's appliances or the insulated flask or even the steel serving ware, which we don't manufacture. We have identified the core raw materials to be used.

We've specified them from our vendors and we do a rigorous quality control check and ensure that we are getting the best in class as we have specified. The second point is in terms of customer insights; I think the products themselves are made keeping some customer insights in mind which customers expect from a brand like Borosil. For example, our motors will have only copper winding not aluminium. As an example, our blades for mixer grinders will be stainless steel 304 grade. Others may have different ones. We will have longer cords which allow people to use in kitchens to have more flexibility in putting their appliance in a place away from even the PowerPoint.

So, I mean, I'm giving you two, three but there's many such examples. So, our focus has been to listen to the customer and then develop the product. As far as the right to win is concerned, I think distribution also plays a role in that and I think we have a very strong and loyal distribution base and we finally, after sales service I think our after sales service has a turnaround time of three days across the country.

So, we respond to customer issues quite rapidly which is also one of the main reasons why customers buy from us. And look, proof of pudding is in the eating, the non-glassware was virtually zero in 2017, if I'm not mistaken and it's almost a INR400 crores category. And we have been posting good growth and probably industry leading gross margins, although I don't share that data with you with outsiders but in principle, I think we have shown that we've made a good position for ourselves, although definitely we're not market leaders but we have a good position here.

Lakshminarayanan: Across three different categories, what's the kind of a channel break between, which way you want to look at it, either large format stores, slash e-commerce, as well as EBO, not EBO, EBO. So, what is the channel mix across all these three different?

Shreevar Kheruka: I would not share percentages with you but in principle, I can tell you that general trade is the largest and we do reasonably well, you know, our growth numbers in general trade are quite good. And then e-commerce would be the second largest. In large format stores, we are not that strong.

Lakshminarayanan: And what kind of products come from CSD?

Shreevar Kheruka: What product, sorry?

Lakshminarayanan: This product comes from the defense canteen, CSD.

Shreevar Kheruka: The defense canteen. So, there actually listing is a big challenge in defense canteens. So, listing of products, it takes a long time and they only list very few items at a time. So, we are much stronger in glassware in canteens. And recently, we've been adding, you know, new SKUs, of course but we don't have anywhere close to the full range we would like to have in the canteens because it takes a long time to list. We hope that it will change in the future but I would not like to share exact numbers with you but in principle, I would say glassware canteens drive some good revenue from glassware.

Lakshminarayanan: And in non-glassware, I produce entirely outsourced production.

Shreevar Kheruka: Yes, that's right.

Lakshminarayanan: Okay. Thank you, sir.

Moderator: Thank you. Next question comes from the line of Hitesh with Kosha Capital. Please go ahead.

Hitesh: Hi, Shreevar. Congratulations on the growth. I think we have been outpacing most of the peers not in the listed process and unlisted space. If you can probably share what is, you know and bulk of this growth is coming from the categories where the level of competition is also very high. So, you did mention about how different Borosil as vis a vis with the product development, the after-sales service but then otherwise on the sales strategy part, could you just highlight what different are we doing with the competition?

Shreevar Kheruka: Frankly, I tell you, it's a very difficult question for me to answer because there's no one, let's say there's no one silver bullet. I would say our teams are highly motivated. We are very, we have, in fact, a manpower cost, as you can see, someone already pointed out, it's quite high. So, we compensate them well and we expect, you know, results also from them. And we have, I would say, built a team for a INR 2,000 crores turnover while we are at INR 900 crores or even actually before that. So, our size of teams are bigger, probably, than our competitors.

I think they're hungry. They're quite hungry for success because their compensation is linked to it. We also have, you know, ESOP schemes, which we give our people. So, I would say we have a very well-motivated team and it's not one person, it's across the board. And that's something I believe is a key source of our key, let's say, reason for growth. Because markets keep changing, you know, I would say pricing also, you know, up and down, you know, it depends, you know, month to month, even region to region.

But I think the, I would just appreciate my team for achieving this number. And I don't believe that any one product or any one channel or any one, you know, strategy that has given us this growth. Very frankly, that's my honest answer to your question.

Hitesh: Sure. Within the non-Glassware, any, I mean, I'm sure you'll not give numbers but any specific category where you're seeing a higher growth, which category has contributed to the higher growth last year in the non-Glassware segment?

Shreevar Kheruka: Bottles in general have done well. You know, your insulated bottles have done well. Things like, I think things like your juicers have done well, you know, I think there's a lot of focus on health, healthy products. And those products have done well for us. But I would say if you look at the, I mean, I review the growth numbers quite frequently and I see that we have a pretty, you know, double digit growth across almost all the products that we are in. So some of course higher than others but like, yes, within that I would say bottles, some appliances like juicers all would have done very well.

Hitesh: Sure. And this BIS norms that have come in for the vacuum flask, will you see that having any impact? Because most of it is imported for us also, right? Where the BIS may not be followed.

Shreevar Kheruka: So the industry as such is dependent on imports because the local ecosystem is still not developed. It'll take some time. We have also started sourcing locally, this product category. And if you can see our working capital has gone up because we have imported, you know, a reasonable amount of stock for this year while we develop the local vendor ecosystem. So that is, so we expect, I mean, it will have a short term impact but I think the local ecosystem should also develop quickly. There are already quite a few players who have started producing this year.

Obviously the challenge, you know, I would say China, they have built that ecosystem over a long period of time. Obviously we won't need that long but I would say it will take some time to replicate that in terms of new products, new product developments specifically, which will be impacted. But the, you know, whatever products we're already making, I think getting it made in India is not such a big challenge.

Hitesh: Got it, got it. And lastly on this expansion into -- I mean, this fund that we are setting up, see, we have been an industry, probably the oldest player in the glassware, right, amongst our peers. There's a big capacity that now we also have. La Opala is also expanding. Cello is expanding on the soda lime side. So and you did mention about how you want to, how you aspire to introduce more SKUs, which will probably help you grow the market.

Now, when all the three players are expanding, we'll probably try to stock the channel. And, you know, there's a, you know, these are breakable items, right? So there's only limited shelf space that a dealer would have. You think you see that as a challenge in terms of stocking, you know, given that all the three players would be equally aggressive to have a scale there.

Shreevar Kheruka: Well, frankly, I think I would change the perspective of this question. I don't think we are competing with Cello or La Opala in glass. I think all three of us are competing against plastic. Okay. And again, steel into some, to some extent. And I would say that we have, as a, you know, as an industry, we would have to take away share from unorganized players as well as from, from steel and from plastic, that that would be a target.

If we achieve that, we could do much better than taking away share from each other, which is, you know, the pie is too small. So I do believe that if we come up with innovative products and good products, then we'll find shelf space. And I don't think pricing is the determinant of shelf space. Frankly, a shelf space, the determination is the value for the customer, whether the customer is coming and asking for the product.

Hitesh: No, when I meant pricing, I meant the dealer incentives that will probably have to be given. If you need a shelf space there.

Shreevar Kheruka: I mean, if you look at the history last few years, all three players have expanded their opal capacity also in the same period of time. I don't think anyone has gone down that road because like I said, when everybody knows that in glass, specifically glass manufacturing is a very high capex business. And sometimes you have a lot of maintenance capex also. So unless you make margins, you can't sustain the business. So I don't think any of the players have a short term view on life. And I think this is a mature industry and they are all, you know, top of, I would say top class, you know, I would say competitors to have.

So I don't see any short termism coming in that way, because even actually in the past, when we were smaller and we expanded from one furnace to two, you're expanding 50%. Now when you go from two to three, actually expansion percentage is reducing. I mean and plus, I mean, I don't see, I think there's a lot of import substitution that will happen. You know, the shelf space you take away from imported and, you know, like I said, the non-organized player as well as maybe plastic.

Hitesh: And lastly, what is the break even capacity or break even utilization for the glassware furnace?

Shreevar Kheruka: I mean, I specifically, I don't have an answer for you but specifically I don't have an answer but broadly in a glass furnace, I would say rule of thumb, 60%, 65%, which we plan to hit by Q3 of this year, right? Yes, absolutely. We should, we should try that at least.

Hitesh: Okay. Thank you.

Moderator: Thank you. Next question comes from the line of Ankur Shah with causal capital. Please go ahead.

Ankur Shah: Yes. Hi. So apart from the reason which we explained, is there any reason for a sharp increase in working capital?

Shreevar Kheruka: No, the main reason, there's two reasons. One, I explained the BIS issue for our steel bottles. Second is, as I said, we have been working on a capacity utilization of 80% for Opal ware and that capacity utilization, we've been producing at a100%. So we don't really be able to sell the inventory. So these are the two main reasons.

Ankur Shah: Because if I add for the gross margin, we are running at at least like two quarter inventory?

Management: We are running two quarter inventory. Like I said, it's coming from Opalware and the BIS.

Ankur Shah: Okay. And so the second question is, so while you switch to Indian manufacturing, what is the effect on the ROCE? Because I'm sure you would have made that calculation because the first business is quite asset light because it's more or less trading?

Management: ROCE will in the short run till we achieve capacity utilization, ROCE will fall, no doubt. And it has, if you see last year, we were 16 odd percent. This year we get out of 15 but in the - once you hit the numbers, the capacity utilization numbers, the ROCE jumps. So we are in this for the long haul. We are not looking at quarter-to-quarter. So it's okay if it falls.

Ankur Shah: Which I agree but like, because you also mentioned that you would be going aggressively on the volumes because of which maybe you might take price cuts. So generally trading to manufacturing switch involves a margin rise and which takes care of the ROCE. So since you're going to pass on that benefit, how do you see the plant ROCE versus the trading business ROCE?

Management: The plant ROCE, which should be higher than the trading business ROCE, there will be 1 or 2 years of flux. In between there'll be 1 or 2 years of flux because the whole matter has to settle because the third element is also volumes, right? When you're trading, you buy only what you - when you - what you need to, what you're selling here, you are, the production is kind of fixed.

You have to produce a certain amount for, for having scale, for having some basic scale benefits. So, till you hit that mix, which takes a year or two, then you may have a short-term dip on the ROCE numbers. But like I said, as far as calculations, once we are able to hit cross 70%, 75% capacity utilization, the ROCE of this business is north of 20%.

Ankur Shah: Sure. Thanks. And the last question is on the non-glassware business. So are we able to find victory positions in certain category of products where we feel that these categories would be sort of established categories going ahead? I'm just asking from the mindset that people think about Borosil when they buying that category.

Management: I mean, again, India is a large country and we have many different types of customers. And also we have lots of product categories. I would say that in some product categories, for example, appliances, if you go on Amazon, I'm just using Amazon as a benchmark. We are already number 1 or number 2 in some, like for example, OTGs or juicers. We will be number 1, number 2, maximum number 3, okay, in a few categories already. So people are definitely coming in asking for a product or rather putting Borosil as a brand of choice there.

Is the same thing happening on the, in the trade channels? Maybe not at the moment. Okay. It will take time to establish. In the trade, we have done very well with bottles. So people have come and asked for bottles. We personalize bottles also with people's names and so on. So people come and they like it. So obviously our endeavor is that what you mentioned is to get people even in non-glassware to come and ask for the product.

But and obviously, we have done some good work here because we sales have grown from virtually zero to almost INR400 crores in the last 5, 6 years. But can I say that I mentioned that we are not the industry leader by any stretch of imagination but we are working towards that goal. And of course, within pockets, there will be some channels and some products where we already have a good, very good position but I would say vast majority, we are not the leader yet.

Ankur Shah: Sure. Thanks. All the best.

Moderator: Thank you. Next question comes from the line of the Priyank Chheda with Vallum Capital. Please go ahead.

Priyank Chheda: Hi sir. Just a few clarifications. So FY '24, '23, since we started, since we saw elevated capex cycle, we have roughly invested INR325 crores. I believe that is for the Opalware furnace. And then in FY '24, the capex was roughly INR200 crores. I believe that would be for the new pressure glass furnace. Am I correct on this understanding?

Management: I mean, broadly, yes, most of it is there but we also invested, for example, in a solar park. We had some other, yes but broadly.

Priyank Chheda: So solar investment was around INR40 crores, INR50 crores, right? So the furnace or press work furnace was around, would be around INR150 crores. And if I've heard correctly on the call, earlier in this call, you did mention that the new pressure furnace of glassware, you expect a peak sales of around INR300 crores. Is that understanding correct at the peak utilization?

Shreevar Kheruka: At full utilization, yes, between 250 and 300, depending on product and prices. Yes, that's right.

Priyank Chheda: And what would be the capex budgets going ahead, sir, for FY’25, FY'26, where are we broadly planning?

Shreevar Kheruka: About INR100 crores in capex this year. That is for some de-bottlenecking, some, another solar project, all put together will be about INR100 crores. Now, beyond this, we have not, 25, 26, I don't have any plans at the moment.

Priyank Chheda: So, INR100 crores for this year, broadly into solar and some other de-bottlenecking, right?

Shreevar Kheruka: Solar, de-bottlenecking and we have to rebuild our furnaces, both our opal glass one and two furnaces. At least you have to spend the money for it. When the rebuild will happen, depends on the life of the furnace.

Priyank Chheda: So when you undergo for a maintenance, is there any chance of de-bottlenecking opalware capacity also?

Shreevar Kheruka: Yes, that's exactly right. That's, that's the goal. That's right. So we got it.

Priyank Chheda: And and on the gross debt of around INR150 crores, given that this year, where we are on, when we are going live with one furnace in glassware and when with the gross debt of INR150 crores and I believe significant of the amount of cash flow that would be generated internally would go into working capital requirements. So any other plans that you have given the debt of INR150 crores we have, how do we think about the further capital allocation on the balance sheet to strengthen anything that you're looking out for equity raise? Any thoughts on that?

Shreevar Kheruka: I think we had already announced that we were looking for permission to raise equity up to INR 250 crores. We've not done anything yet on that but we have permission to raise equity up to INR 250 crores. So, we may choose to do that at the appropriate time.

Priyank Chheda: Got it. Thanks a lot.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of question and answer session. I would now like to hand the conference over to the management for closing comments.

Shreevar Kheruka: Thank you everyone for active participation in our quarterly conference call. Just to summarize, we had a good year as far as growth is concerned. We continue to work on improving margins. And, we are quite bullish in terms of the future where we are positioned and also where we see our demand in our country going. So thank you all for your support and patience and so on. And we look forward to interacting with you next quarter. Thank you.

Moderator: Thank you. On behalf of ICICI securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.